

Message Text

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45

ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 CIAE-00 DODE-00 PM-03 H-02

INR-07 L-03 NSAE-00 NSC-05 PA-02 PRS-01 SP-02 SS-15

USIA-15 EB-07 COME-00 TRSE-00 XMB-04 FRB-01 CEA-01

OMB-01 (ISO) W

----- 078381

R 261145Z JUN 75

FM AMEMBASSY TEL AVIV

TO SECSTATE WASHDC 7285

INFO AMEMBASSY LONDON

UNCLAS TEL AVIV 4063

E.O. 11652: N/A

TAGS: EFIN, IS

SUBJ: ISRAEL-BRITISH BANK (IBB)

REF: TEL AVIV 2869 AND PREVIOUS

1. GOI RECENTLY DECIDED TO MERGE ASSETS OF IBB (ISRAEL) AND IBB (LONDON) WHICH WILL NOW BE JOINTLY DISTRIBUTED AMONG CREDITORS OF BOTH BANKS, PRESS REPORTS. ACCORDINGLY, BANK OF ISRAEL (BOI) DECIDED TO ABANDON ITS CLAIM TO 30 MILLION DEUTCH MARKS WHICH IT DEPOSITED WITH IBB (LONDON). RECEIVERS OF IBB IN ISRAEL AND UK WILL THUS COOPERATE IN MINIMIZING LOSS TO CREDITORS WHO WILL REPORTEDLY RECOVER 35 PERCENT OF THEIR FUNDS. HAD GOI NOT TAKEN THIS STEP, CREDITORS OF UK BRANCH WOULD HAVE REGAINED ONLY 20 PERCENT OF THEIR DEPOSITS WHEREAS THOSE IN ISRAEL WOULD HAVE RECEIVED 45 PERCENT.

2. IBB DEBTS IN UK ARE SAID TO REACH IL 625 MILLION, AND THOSE IN ISRAEL IL 600 MILLION. RECEIVERS' ASSETS ARE ESTIMATED AT IL 125 MILLION IN UK AND IL 250 MILLION IN ISRAEL. BY TAKING THIS DECISION, GOI HAS REVERSED ITS EARLIER POSITION OF ACCEPTING RESPONSIBILITY

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ONLYFOR IBB LOSSES IN ISRAEL. BANK OF ENGLAND

IS REPORTEDLY WILLING TO CONTRIBUTETHREE MILLION
POUNDS STERLING FOR JOINT COMPENSATION FUND.

3. FINANCE MINISTRY AND BOI SPOKESMEN HAVE DENIED
REPORTS THAT PRESSURE BY AMERICAN CREDITORS BACKED BY
CONGRESSMEN HAD ANY INFLUENCE ON GOI DECISION. HOWEVER,
PRESIDENT OF MERCHANTS' NATIONAL BANK OF INDIANA,
DONALD TENSOL IS IN ISRAEL NOW AND NEGOTIATING WITH GOI
ON BEHALF OF AMERICAN BANKS AND OTHER CREDITORS.
VELIOTES

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06 JUL 2006

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